



United States Department of Agriculture
Risk Management Agency

March 2008

2008 COMMODITY INSURANCE FACT SHEET

Pecan Revenue Texas

Crop Insured

The crop insured will be all pecan acreage in the county for which premium rates are provided by the actuarial documents

- in which you have a share;
- that are being produced in an orchard that has been inspected and accepted by us;
- that are being produced on trees that have reached at least the 12th growing season, after either being set out or replaced by transplants, or that are in at least the fifth growing season after top work and have produced at least 600 pounds of nuts per acre in at least one year after being grafted;
- that are in an orchard that consists of a minimum of one (1) contiguous acre, unless allowed by written agreement; and
- that are not (unless allowed for by the special provisions of insurance or by written agreement): grown on trees that are, or have been, hedged; or direct marketed to consumers.

Counties Available

Bastrop, Bowie, Comanche, Culberson, El Paso, Gaines, Gonzales, Guadalupe, Lavaca, Lubbock, Maverick, Mills, Pecos, San Saba, Wharton, and Zavala.

Causes of Loss

Adverse weather conditions¹
 Decline in market price
 Earthquake
 Failure of irrigation water supply²
 Fire³
 Insects and disease⁴
 Volcanic eruption
 Wildlife

¹Includes hail, frost, freeze, drought, and excess precipitation. ²If caused by an insured peril during the insurance period. ³Unless weeds and undergrowth have not been controlled or pruning debris has not been removed from the orchard. ⁴But not due to insufficient or improper application of control measures.

We will **not insure** against damage or loss of production due to the inability to market the pecans for any reason other than actual physical damage from an insurable cause specified above.

Insurance Period

Coverage begins for each crop year on February 1. However, for the year of application we will inspect all pecan acreage and will notify you of the acceptance or rejection of your application not later than 30 days after the sales closing date. For each subsequent two-year coverage module that the policy remains continuously in force, coverage begins on the day immediately following the end of the insurance period for the prior two-year coverage module. The calendar date for the end of the insurance period is January 31 of the crop year.

Reporting Requirements

Acreage Report— You must report by the acreage report date designated in the special provisions:

- any damage of trees, removal of trees, change in practices, sequential thinning in excess of 12.5 percent of your insured acreage or any other action that may reduce your gross sales potential;
- the number of bearing trees on insurable and uninsurable acreage;
- the age of the trees and the planting pattern;
- any acreage excluded under section 8 or 9 of the policy provisions; and
- your gross sales receipts as required under section 3(f) of the policy provisions.

Notice of Loss—See your insurance agent for detailed requirements.

Important Dates

Sales Closing.....	January 31
Acreage Reporting.....	March 1
Premium Billing	November 30
Cancellation/Termination.....	January 31

Definitions

Amount of Insurance—The amount determined by multiplying the approved average revenue per acre by the coverage level percentage you elect.

Average Gross Sales (per acre)—Your gross sales of pecans for a crop year divided by your net acres of pecans grown during that crop year.

Direct Marketing—Sale of the insured crop directly to consumers without the intervention of an intermediary such as wholesaler, retailer, packer, processor, sheller, shipper, buyer or broker.

Enterprise Unit—All your insurable pecan acreage in the county in which you have any share on the date coverage begins for the crop year.

Approved Average Revenue—An amount determined by the average gross sales per acre (in-shell basis) based on at least the most recent consecutive 4 years of records. If you do not provide at least 4 years of gross sales records, your approved average revenue will be: (1) The average of 2 years of your gross sales per acre and 2 years of the lowest available dollar span amount provided in the actuarial documents; or (2) If you do not provide any gross sales records, the lowest available dollar span amount provided in the actuarial documents. If you provide more than 4 years of records, they must be the most recent consecutive 6, 8 or 10 years of records.

Market Price—The greater of:

- The average price per pound for in-shell pecans of the same variety offered by buyers on the day you sell any of your pecans,
- The actual price you received for any sold production, or
- The average Agriculture Marketing Service price for similar quality pecans published during the week you sold any of your pecans.

Two-Year Coverage Module—A 2-crop-year subset of a continuous policy in which the insured agrees to insure the crop for both years of the module and we agree to offer the same rate, amount of insurance, coverage level, terms and conditions for each year of coverage, except for legislatively-mandated changes, as long as all policy terms and conditions are met for each year of the coverage module, including the timely payment of premium, and you have not done anything that would result in a revision to the terms specified in the policy.

Coverage Levels and Premium Subsidies

Coverage level options range from 50 to 75 percent of your approved average revenue per acre as shown on the FCI-35 and subsidized as shown in the table below. For example, if a producer's approved average revenue is \$1,000 per acre, the 50-percent coverage level results in a \$500 guarantee per acre.

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Catastrophic (CAT) coverage is fixed at 50 percent of average yield and 55 percent of the price election. CAT is 100 percent subsidized with no premium cost to you. There is, however, an administrative fee of \$100 per county, regardless of the acreage.

Loss Example

Year	Acres	Avg #acre	Avg gross sales/acre
2006	100.0	825	800
2005	100.0	1250	1250
2004	100.0	620	650
2003	100.0	1050	<u>1100</u>
Approved average revenue =			\$ 950

At the 65-percent coverage level, amount of insurance per acre is: $\$950 \times .65 = \618 per acre.

Insured produced an average of 400 pounds per acre at an average price of \$0.95 per pound:

$$\begin{array}{r}
 \$618 \text{ Insurance coverage per acre} \\
 - \underline{380} \text{ Average gross sales per acre (400 pounds} \\
 \quad \times 0.95 \text{ per pound} = \$380) \\
 \hline
 \mathbf{\$238 \text{ Indemnity per acre}}
 \end{array}$$

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